

FORM MR-RC
Revised November 1, 2004
RECLAMATION CONTRACT

File Number S/001/063

Effective Date Dec 23, 2004

Other Agency File Number BLM-UTU-80525
UTU-80852
SITHA-ML-48705

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

APPROVED

DEC 23 2004

DIV. OIL GAS & MINING

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DIV OF OIL GAS & MINING

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

S/001/063
KADLIN CLAY

"MINE LOCATION":
(Name of Mine)
(Description)

Blawn Mnt
38 miles west of milford ut
Located 5 miles off of
Jockey RD.

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description)

4.3 acres
(Refer to Attachment A)

"OPERATOR":
(Company or Name)
(Address)

SANDY NELL
LONG STAR Mining Development
& EXPLORATION
13171 SO 3300 W.
Riverton ut 84065
1-801-253-2494

(Phone)

"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

Sandy Nell
13171 So 3300 west
Riverton UT 84065
1-801 253-2494

"OPERATOR'S OFFICER(S)" & TITLE:

SANDY NELL PRESIDENT

SURETY":

(Form of Surety - Attachment B)

C. D.

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Mountain America Cr. union

"SURETY AMOUNT":

(Escalated Dollars)

\$ 14,000⁰⁰

"ESCALATION YEAR":

2005

"STATE":

"DIVISION":

"BOARD":

State of Utah
Division of Oil, Gas and Mining
Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Sandy Nell the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. S/001/063 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved/accepted Notice of Intention and Reclamation Plan or Notice received Jan 17 2003. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification,

Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Sandy Neel / Lone Star MINING
Operator Name

By Sandy Neel
Authorized Officer (Typed or Printed)

PRESIDENT
Authorized Officer - Position

Sandy Neel 12-9-04
Officer's Signature Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 9th day of December, 2004, Sandy Neel
personally appeared before me, who being by me duly sworn did say that he is the
President of Lone Star Mining and duly acknowledged
that said instrument was signed on behalf of said company by authority of its bylaws or
a resolution of its board of directors and said Sandy Neel duly
acknowledged to me that said company executed the same.

Joelle Burns
Notary Public
Residing at S.L.C. Utah
April 4, 2005
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

By *Mary Ann Wright*
Mary Ann Wright, Acting Director

12/23/2004
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 23rd day of December, 2004, Mary Ann Wright personally appeared before me, who being duly sworn did say that she, the said Mary Ann Wright is the Acting Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and she duly acknowledged to me that she executed the foregoing document by authority of law on behalf of the State of Utah.



Joelle Burns
Notary Public
Residing at: S.L.C. Ut

April 4, 2005
My Commission Expires:

ATTACHMENT "A"

Jamdy Neel
Operator Lone Star Mining
S/001/063
Permit Number

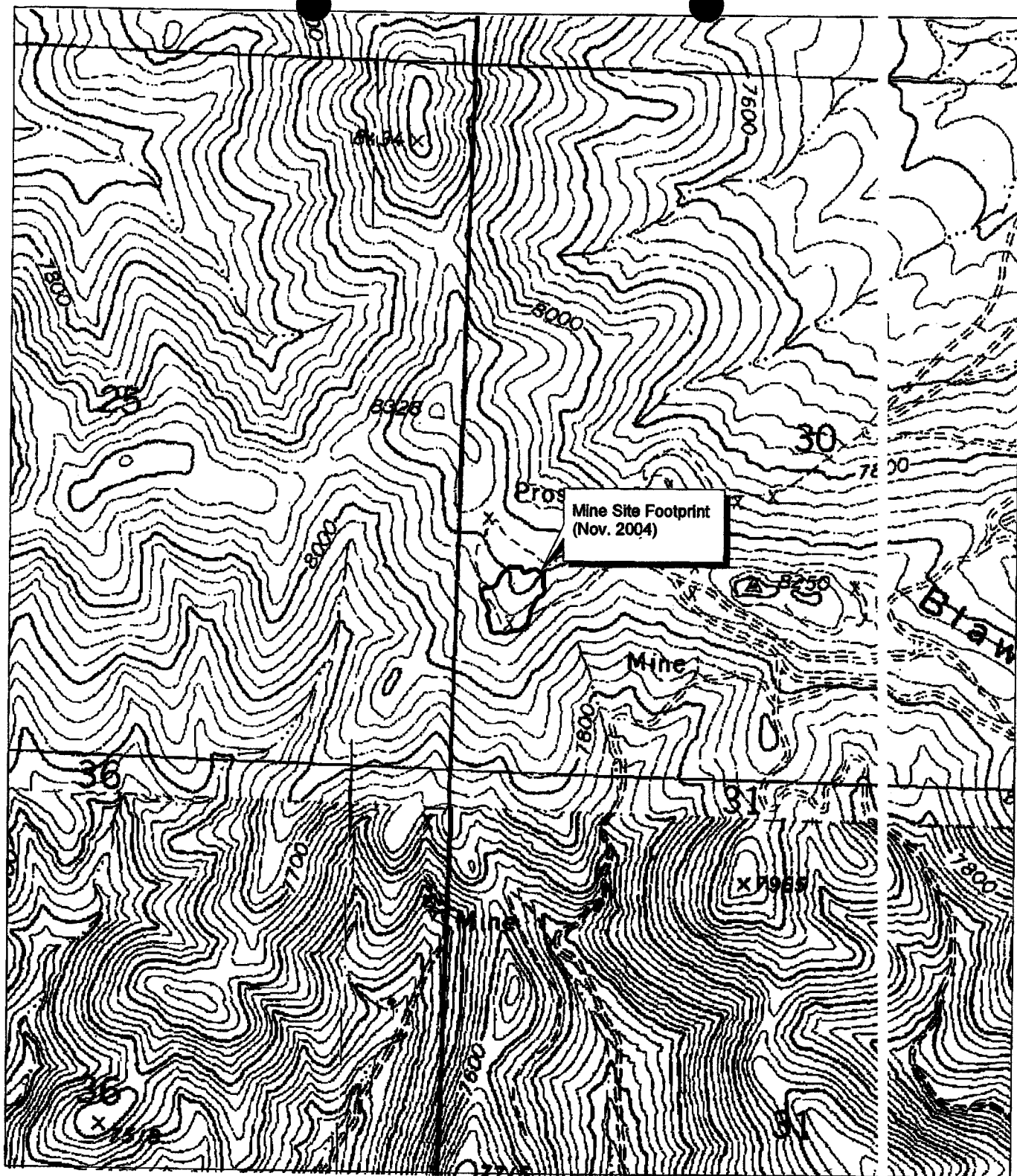
Blawn Mountain
Mine Name
Beaver County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 4.3 acres under the approved / accepted permit and surety, as reflected on the attached map labeled Blawn Mtn. Kaolin Poo A-1 and Blawn Mtn. Kaolin Mine - A-2 and dated 11/10/04 and 1/21/04
portions of MINE! W 1/2 of SW 1/4 Sec 30 T 29 S
R 15 W

TRANSFER POINT / STOCKPILE AREA:
SE 1/4 of NW 1/4 Sec 15 T 30 S. R. 15 W



Project: Blawn Mtn. Kaolin POO

Operator: Sandy Nell

BLM File: UTU-80852

DOGM File: S/001/063

Inspection Date: 11/10/2004

Inspector: Ginouves

Notes: Gross disturbed area (purple line) is 3.8 acres.

Sec. 30, T. 29 S., R. 15 W., Beaver County, UT

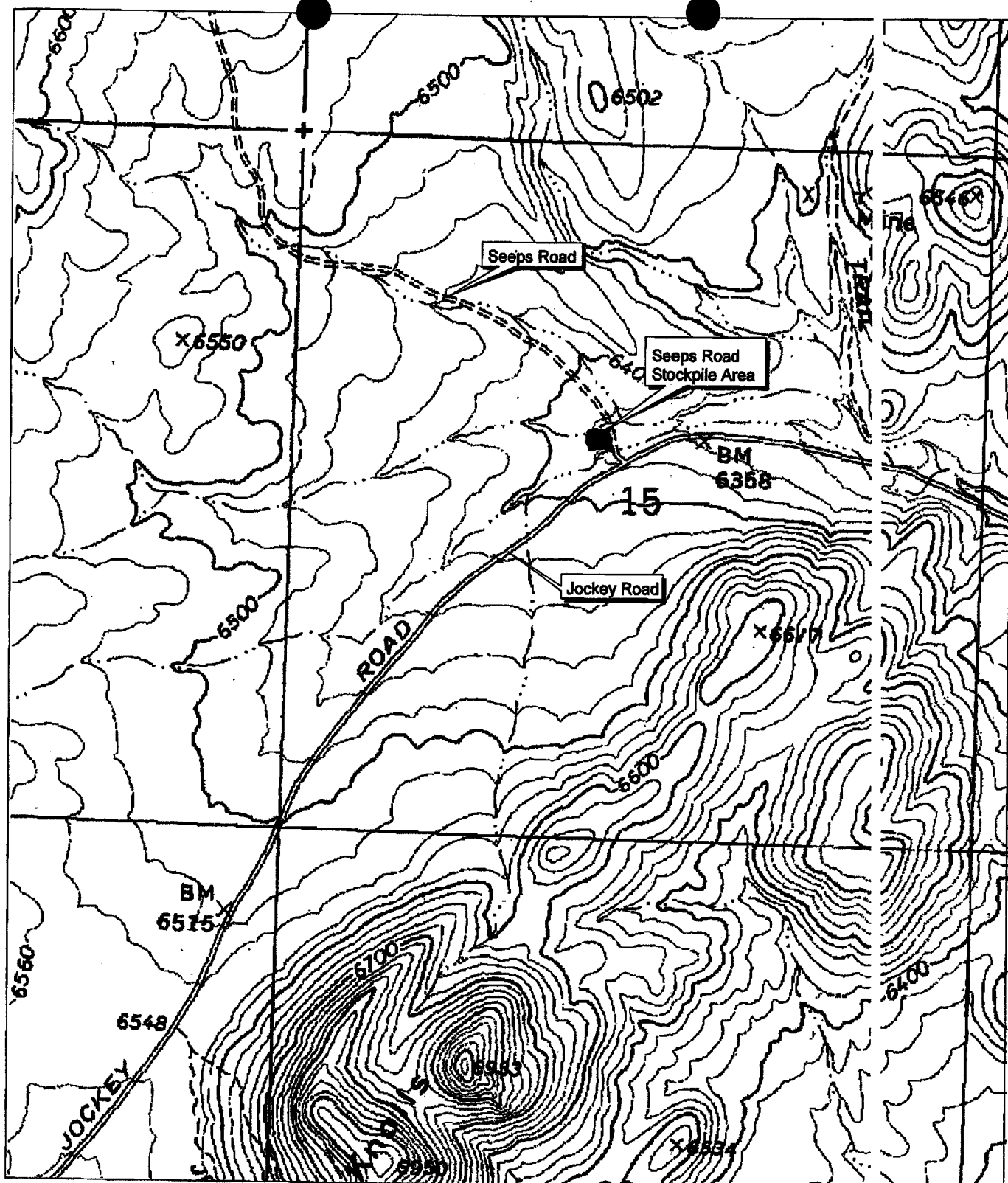
USGS Lamerdorf Peak and The Tetons 7.5' topo maps

□ Mine Site (11-04).shp



Scale 1 : 12,000
1' = 1000'

ATTACHMENT "A-1"



Project: Blawn Mtn. Kaolin Mine
Operator: Sandy Nell
BLM File: UTU-80852
DOGM File: S/001/063
Inspection Date: 1/21/2004
Notes: Seeps Road stockpiling
area is 0.65 acres.

Base Map: USGS The Tetons and Lamerdorf Peak 7.5' Quads
Beaver County, T. 30 S., R. 15 W., sec. 15: SESW

Area.shp



Scale is 1: 12,000
" = 1,000'

ATTACHMENT "A-2"



OLENE S. WALKER
Governor
GAYLE F. McKEACHNIE
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

Attachment "B"

November 22, 2004

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DIV OF OIL GAS & MINING

Mountain America Credit Union
1962 West 12600 South
Riverton, Utah 84065
Phone: (801) 446-0118

Attention: Kerry Crawford, Financial Services Representative

Subject: Reclamation Surety, Certificate of Deposit for Sandy Nell's Blawn Mountain
Mine Site, S/001/063, Beaver County, Utah
Certificate of Deposit no. _____ - 20 ; Principal Amount \$14,000.

This letter describes the mutually agreed upon instructions of the below signed parties to Mountain America Credit Union ("Bank"), regarding the control, redemption, and release of Bank's above-described certificate of deposit ("CD"), which is being used as a surety to guarantee the availability of reclamation funds for the Blawn Mountain mine site ("Mine Site"), Beaver County, Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that \$14,000 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining ("Division") and the United States Department of Interior, Bureau of Land Management ("USDOI-BLM") upon demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation of the mine site in compliance with applicable state law and regulations.

Ownership and Renewal:

Ownership of the CD is retained by Sandy Nell, an individual ("Owners"), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and USDOI-BLM and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released by both the Director of the Division and the authorized officer of USDOI-BLM.

Redemption:

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of both the Director of the Utah Division of Oil, Gas & Mining and the authorized officer of USDOIBLM to the Bank. Upon the instruction and demand of the Director and authorized officer of USDOIBLM, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil, Gas and Mining. Owners agree and irrevocably instruct Bank that neither the Owner(s), nor any other person claiming an ownership interest in the CD which is derived from the Owners, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the initial amount of the CD shall be transferred to Owners' control, or if Owners do not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division and the authorized officer of USDOIBLM may redeem the CD.

Release:

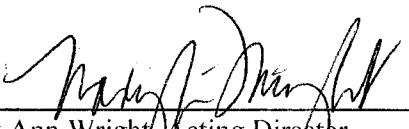
The bank shall release the CD only upon the written instruction of both the Director of the Division and the authorized officer of USDOIBLM to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owners, or their legal successors-in-interest.

Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be 1) dispersed quarterly to the Owner(s) as the Owner(s) may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner(s) may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$14,000. All tax liabilities for accrued interest shall remain the sole responsibility of the Owners.

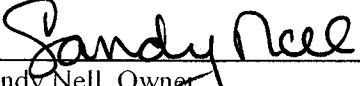
Bank will not be held liable for any dispute between the parties.

Agreed Upon By:



Mary Ann Wright, Acting Director
Utah Division of Oil, Gas & Mining

Date: 12/23/2004



Sandy Nell, Owner
Tax ID Number:

Date: 11-22-04



Kerry Crawford, Financial Services Representative
Mountain America Credit Union

Date: 11/22/04

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NELL, SANDY K Share 20: 12 MONTH TERM DEPOSIT Transaction Summary

12/22/2004

ID	Eff Date	Transaction	Balance Chg	Int/Pn...	Fees	New Balance	Description/Pmt	Prev Available
S 20	12/22/2004	OIL, GAS & MINING AND USDO-IL-BLM						
S 20	12/22/2004	OWNER: SANDY NELL FBO: STATE OF UTAH DIV						
S 20	12/22/2004	FBO: DIV OF OIL, GAS & MINING						
S 20	11/30/2004	%% APY Earned 2.25% 11/22/04 to 11/30/04						
S 20	11/30/2004	Dividend D...	7.70	0.00	0.00	14,007.70	2.230%	14,000.00
S 20	11/22/2004	Check Dep...	14,000.00	0.00	0.00	14,000.00		0.00

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DIV. OF OIL, GAS & MINING

Fixed Rate Term Deposit Agreement



Sandy K Nell
13171 S 3300 W
Riverton UT, 84065

Account #: 00 [REDACTED] ID#: 20 Interest Rate: 02.230 % Annual Percentage Yield: 02.250 %
Maturity Date: 11/22/2005 Term: 012 months.

You will be paid the disclosed rate until first maturity date, at which time you will be offered the same rate as the credit union is offering on deposits with the same terms as the RENEWAL TERM.

Compounding frequency - Interest will be credited to your account every month. Alternatively, you may choose to have interest paid to you or to another account every month rather than credited to this account.

Effect of closing an account - If you close your account before interest is paid, you will not receive the accrued interest.

Minimum balance requirements:

- The minimum balance required to open this account is **\$1,000.00**.
- You must maintain a minimum daily balance of **\$1,000.00** in your account each day to obtain the disclosed annual percentage yield.

Daily balance computation method. Interest is calculated by the daily balance method which applies a daily periodic rate to the balance in the account each day.

Accrual of interest on non-cash deposits - Interest will begin to accrue on the business day you deposit non-cash items (for example, checks) to your account.

Transaction limitations - After the account is opened, you may not make deposits into the account until the maturity date stated on the account. You may not make withdrawals of principal from your account before maturity. Withdrawal of dividends may be made from your account before maturity.

Early withdrawal penalties - A penalty may be imposed for withdrawals before maturity.

- If your account has an original maturity of **one year or less** the penalty may equal **30 days** interest on the amount withdrawn subject to penalty.
- If your account has an original maturity of **more than one year** the penalty may equal **90 days** interest on the amount withdrawn subject to penalty.

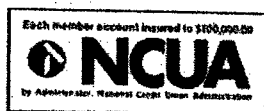
There are certain circumstances, such as the death or incompetence of a member, where the credit union may waive or reduce the penalty. See your plan disclosure if this account is part of an IRA or other tax qualified plan. For any account which earns an interest rate that may vary from time to time during the term, the interest rate used to calculate the early withdrawal penalty will be the interest rate in effect at the time of the withdrawal.

Withdrawal of interest prior to maturity - The annual percentage yield is based on the assumption that interest will remain in the account until maturity. A withdrawal will reduce earnings.

Automatically renewable account - This account will automatically renew at maturity. You may prevent renewal if you withdraw the funds in the account at maturity (or within the grace period mentioned below, if any) or the credit union receives written notice from you within the grace period mentioned below. The credit union can prevent renewal if notice is mailed to you at least **30 calendar days** before maturity. If either you or the credit union prevent renewal, interest will not accrue after final maturity.

You will have a grace period of ten calendar days after maturity to withdraw the funds without being charged any early withdrawal penalty.

7181 S. Campus View Drive
West Jordan UT 84084
800-748-4302



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DIV. OF OIL, GAS & MINING